

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6645**

**BILL NUMBER:** HB 1263

**DATE PREPARED:** Dec 15, 1998

**BILL AMENDED:**

**SUBJECT:** Tax credit for property taxes paid on inventory.

**FISCAL ANALYST:** Diane Powers

**PHONE NUMBER:** 232-9853

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State

STATE IMPACT	FY 1999	FY 2000	FY 2001
State Revenues		(45,700,000)	(70,500,000)
State Expenditures			
Net Increase (Decrease)		(45,700,000)	(70,500,000)

**Summary of Legislation:** This bill provides a credit against a taxpayer's state tax liability for property taxes paid on inventory.

**Effective Date:** January 1, 1999 (retroactive).

**Explanation of State Expenditures:** The Department of Revenue will have additional administrative expenses related to the updating the tax forms and monitoring this tax credit.

**Explanation of State Revenues:** This bill would allow a business inventory tax credit based on the amount of property taxes paid on inventory up to a maximum of \$20,000 in assessed value in a tax year beginning in 1999, and increases as outlined in the table below. The credit may be taken against the taxpayer's liability under the corporate gross income tax, adjusted gross income tax, supplemental net income tax, bank tax, savings and loan association tax, insurance premium tax, and the financial institution tax. If the amount of the credit exceeds the taxpayer's liability, they may carry forward the excess in subsequent years. A taxpayer is not entitled to a carryback or a refund of any unused credit. This tax credit will reduce income tax revenue by the following amounts:

<b>Tax Year</b>	<b>Max AV Allowed</b>	<b>Estimated Net Inventory Tax</b>	<b>FY Tax Impact</b>	<b>Rev Loss</b>
1999	\$20,000	\$419.2 M	FY 2000	\$45.7 M
2000	30,000	443.4 M	FY 2001	70.5 M
2001	45,000	468.9 M	FY 2002	108.3 M
2002	70,000	465.1 M	FY 2003	140.0 M
2003	105,000	497.6 M	FY 2004	180.6 M
2004	160,000	532.4 M	FY 2005	230.0 M
2005	250,000	569.5 M	FY 2006	290.5 M
2006	375,000	581.4 M	FY 2007	340.7 M
2007	565,000	622.3 M	FY 2008	412.6 M
2008	1,000,000	666.1 M	FY 2009	504.2 M

The tax credits would continue to grow in tax years 2009 and years after. Tax revenue from the various taxes noted above are deposited in the General Fund and the Property Tax Replacement Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Revenue, State Tax Board.

**Local Agencies Affected:**

**Information Sources:** Local Government Database.